

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
January 11, 2010**

A special meeting of the Nebraska Investment Council convened at 9:10 a.m. at the Embassy Suites Hotel in La Vista, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on December 18, 2009, and published in the Lincoln Journal Star on December 27, 2009. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

MEMBERS PRESENT:

Ms. Gail Werner-Robertson, Chairwoman
Dr. Richard DeFusco
Mr. John Maginn
Mr. John Dinkel
Treasurer Shane Osborn
Ms. Phyllis Chambers

MEMBERS ABSENT:

Mr. Norm Riffel

NONMEMBERS IN ATTENDANCE:

Mr. Jeff States, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Christopher Heinrich, Harding & Shultz
Mr. Kevin Vandolder, Ennis Knupp + Associates
Mr. Chris Riley, Ennis Knupp + Associates
Ms. JoLynn Winkler, Nebraska Investment Council
Ms. Rachel Biar, Director, College Savings Program
Mr. John Schembari, Kutak Rock
Ms. Meg Olsen, Kutak Rock
Mr. Clark Lauritzen, First National Bank
Mr. John Allbery, First National Bank
Mr. Brian Moreland, First National Bank
Mr. Jay Steinacher, Union Bank
Ms. Mary Anne Busse, Great Disclosure

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 9:11 a.m. to 9:12 a.m. Ms. Werner-Robertson stated that a copy of the Open Meetings Act is located on the side table.

COUNCIL MEMBER BUSINESS: 9:13 a.m. to 9:16 a.m. Ms. Werner-Robertson welcomed everyone and was pleased that everyone was able to arrange their schedules to attend today's special meeting. Ms. Werner-Robertson indicated that the purpose of today's special meeting is to award the bid for investment-related duties of the Program Manager for the College Savings Plan of Nebraska. Mr. States informed the Council that he had just received a call that Mr. Riffel, who is in Arizona, had planned to participate by phone, but due to illness would be unable to participate. Ms. Werner-Robertson stated that Treasurer Osborn and his office have been working diligently on the RFP for the Program Manager of the College Savings Plan. Ms. Werner-Robertson stated that the Council appreciates the cooperation of the Treasurer and the NIC staff in helping the Council with its fiduciary responsibility.

STATE TREASURER'S REPORT OF THE COLLEGE SAVINGS PLAN RFP EVALUATION COMMITTEE ON THE BIDS RECEIVED FOR THE PROGRAM MANAGER FOR THE COLLEGE SAVINGS PLAN: 9:17 a.m. to 9:58 a.m. Treasurer Osborn provided information on the process used by the Evaluation Committee to review and evaluate the bids received, narrowing the field down to the two finalists who could offer an outstanding product at a significantly reduced cost. Treasurer Osborn indicated that based on the Committee's recommendation, he has chosen First National Bank (FNB) as the next Program Manager for the College Savings Plan of Nebraska (CSPN) to perform the administrative and marketing duties beginning January 2011, subject to entering into an acceptable contract. Treasurer Osborn provided several reasons for selecting

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FNB (1) significantly reduced fees and no account fee; (2) a completely open architecture product; (3) FNB's demonstration of a strong understanding of unique investing needs of both CSPN direct and advisor plan investors; (4) cutting edge marketing plan; (5) Nebraska based advisor sales desk; (6) significant live customer service hours and 24/7 account website access; and (7) significant program transition experience in the 529 market and elsewhere. Treasurer Osborn stated that Upromise Investments, Inc., as a sub-contractor to FNB, will provide recording keeping services, client support and marketing support.

Treasurer Osborn introduced Ms. Mary Anne Busse, Managing Director of Great Disclosure. Ms. Busse is a nationally recognized expert in disclosure and governance for public companies and 529 College Savings Programs. Ms. Busse has been retained as an advisor to the State Treasurer for the selection of the Program Manager for the CSPN. Ms. Busse reviewed with the Council the *CSPN Program Manager Proposals Summary* included in the meeting book, which listed summaries of the bid responses received from the two finalists, FNB and Union Bank. The summary compared each finalist's bid responses for (1) financial services; (2) account administration; (3) marketing; (4) customer service; (5) transition plan; (6) program management fees; (7) account fees; (8) contract term; and (9) termination rights. Discussion followed by the Council. Ms. Werner-Robertson stated that because the contract would not go into effect until January 2011, the award of the bid could be made at today's meeting with investment options or without investment options. A decision on investment options can be made at a later date. In the interest of full disclosure, Dr. DeFusco disclosed that he has done unrelated consulting work in the past for FNB. In the interest of full disclosure, Mr. Maginn indicated that he has in the past referred business clients to FNB.

ENNIS KNUPP ANALYSIS ON THE PROPOSED 529 COLLEGE SAVINGS PLAN INVESTMENT SERVICES: 9:59 a.m. to 10:55 a.m. Mr. Riley reviewed with the Council the investment line-ups proposed by both First National Bank and Union Bank included in the meeting book. Mr. Riley stated that the Union Bank investment line-up is largely unchanged from the current investment line-up for the CSPN. Mr. Riley stated that the FNB proposal includes two proprietary mutual funds within the U.S. equity asset class. Ennis Knupp has conducted due diligence on these strategies, including an onsite research meeting in Omaha within the last 12 months and believes that these offerings provide adequate exposure to the capitalization and style segments of the U.S. equity market. Mr. Riley noted that the proposed program management fee is determined based on the use of the two proprietary FNB funds. Mr. Riley stated that Ennis Knupp has no significant issues with the construction of the age-based funds, proposed fees, or the proposed investment line-up from either FNB or Union Bank. Following discussion by the Council, Ms. Werner-Robertson reminded the Council that the primary purpose of today's meeting is the selection of the Program Manager. Ms. Werner-Robertson stated that we do have Council meetings on February 17, 2010 and March 17, 2010, which would give us more time to have any questions answered before voting on the investment line-up. In the interest of full disclosure, Mr. Dinkel indicated that because he is a FNB stockholder he would abstain from voting.

Following additional discussion Dr. DeFusco moved to approve the bid of First National Bank to be the Program Manager of the College Savings Plan of Nebraska. The approval of the Council shall be contingent upon the approval of the non-investment related items of the bid by the Nebraska State Treasurer.

The approval of the Council is limited to the investment-related items contained in the bid, including all fees, commissions and expenses which directly or indirectly affect the return on assets; provided, however, that the Council is not approving the proposed asset allocation guidelines and underlying funds at this time and will further consider such items at a later date.

The Council hereby authorizes and directs the State Investment Officer to negotiate and enter into a program management agreement with First National Bank, which shall contain the fees, commissions and expenses considered and approved today and such other terms and conditions as the State Investment Officer deems prudent and in the best interest of the plan participants. Administrative and marketing provisions may be included in the program management agreement, as well, but such provisions shall be negotiated, approved and authorized by the Nebraska State Treasurer, in accordance with Nebraska law. Mr. Maginn seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:

Dr. DeFusco
Mr. Maginn

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Ms. Werner-Robertson

ABSTAINING:

Mr. Dinkel

ABSENT NOT VOTING:

Mr. Riffel

The motion carried.

PUBLIC COMMENT ON THE AGENDA: 10:55 a.m. to 10:59 a.m. Ms. Werner-Robertson asked if there was any public comment on the agenda. Comments were made by Mr. Steinacher with Union Bank.

At 11:00 a.m. Dr. DeFusco moved to adjourn the meeting. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

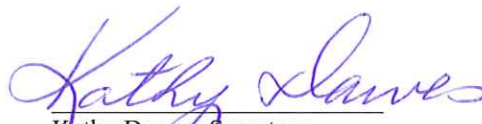
VOTING AYE:

Mr. Maginn
Mr. Dinkel
Ms. Werner-Robertson
Dr. DeFusco

ABSENT NOT VOTING:

Mr. Riffel

The motion carried.


Kathy Dawes, Secretary